

Message Text

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ACTION ARA-14

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TAGS: EFIN, IDB, SHUM, UY
SUBJ: PROPOSED IDB PROJECTS FOR 1978

REF: (A) STATE AIDTO CA-69 (B) MONTEVIDEO 0639

1. THE FOLLOWING IS A LIST OF PROJECTS WHICH MAY BE PRESENTED TO THE BOARD OF THE INTER-AMERICAN DEVELOPMENT BANK (IDB) FOR FINANCING DURING 1978. IR DOES NOT CORRESPOND TO THE PROJECTION ATTACHED TO REF (A) BUT IS A MORE CURRENT PICTURE OF POSSIBLE GOU/IDB COOPERATION DURING THE CURRENT YEAR PROVIDED BY THE IDB RESREP, CARLOS MONTERO. THE REQUESTED ANALYSIS IS PROVIDED IN EACH CASE.

A. FINANCING OF EXPANSION OF TRANSMISSION AND DISTRIBUTION FACILITIES. THIS WOULD CONNECT THE SALTO-GRANDE AND PALMAR HYDROELECTRIC PROJECTS INTO THE NATIONAL DISTRIBUTION NET OF THE ELECTRICAL UTILITY ADMINISTRACION NACIONAL DE USINAS Y TRANSMISIONES ELECTRICAS (UTE). PROBABLE IDB FINANCING DOLS 20 MILLION. THE FEASIBILITY STUDY FOR THIS PROPOSED JOINT WORLD BANK-IDB FINANCED PROJECT HAS BEEN COMPLETED. HOWEVER, THE WORLD BANK IS WAITING FOR UTE TO CARRY OUT ITS SIZEABLE LIST OF INSTITUTIONAL CHANGES WHICH ARE PRECONDITIONS TO THAT BANK'S PARTICIPATION IN

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THE PROJECT. IDB IS FOLLOWING THE WORLD BANK'S LEAD AS TO THOSE INSTITUTIONAL PRECONDITIONS. MONTERO PRE-DICTS THAT THOSE PRECONDITIONS WOULD NOT LIKELY BE MET BEFORE MID-YEAR BUT THAT THE LOAN PROJECT PROBABLY WILL BE PRESENTED FOR BOARD REVIEW DURING 1978. IN LIGHT OF THE GOU'S ENORMOUS INVESTMENT AND DEVELOPMENT OF HYDRO POWER AND THE COUNTRY'S TOTAL LACK OF USEABLE HYDROCARBON

ENERGY RESOURCES, THE TRANSMISSION AND DISTRIBUTION SYSTEM TO BE FINANCED BY THIS PROJECT IS A CLEAR FIRST PRIORITY FOR THE GOU. WE KNOW OF NO DESIGN ISSUES RELATED TO THE PROJECT, BUT SUPPORT WITH WORLD BANK'S DEMAND FOR COMPLETION OF NUMEROUS CHANGES IN USER CHARGES, PERSONNEL POLICIES, SALARIES AND OTHER INSTITUTIONAL REFORMS. WE UNDERSTAND THAT FINANCING WILL BE FROM ORDINARY CAPITAL WHICH WOULD BE APPROPRIATE UNDER IDB POLICY.

B. ANIMAL HEALTH PROGRAM. WE UNDERSTAND THAT SEVERAL BASIC DECISIONS REGARD THIS PROJECT HAVE LONG BEEN PENDING IN THE GOU. MONTERO ESTIMATES A 50-50 CHANCE THAT THE LOAN MIGHT COME TO THE BOARD THIS YEAR. IT IS PRECISELY THOSE ELEMENTS OF THE PROJECT WHICH REMAIN UNDECIDED UPON WHICH THE EMBASSY MAY EVENTUALLY HAVE SOME COMMENT, BUT WE DO NOT HAVE THE LOAN DOCUMENT AND ARE ACCORDINGLY NOT IN A POSITION TO EVALUATE THE PROJECT. WE UNDERSTAND THAT FSO FUNDING WILL BE REQUESTED BY THE GOU, ALTHOUGH THE PROJECT DOES BENEFIT GENERALLY A PRODUCTIVE SECTOR RATHER THAN MEET SOCIAL NEEDS. THE GOU JUSTIFIES ITS REQUEST ON A REVIEW OF IDB APPROVALS OF SIMILAR NATION-WIDE ANIMAL HEALTH PROGRAMS IN OTHER COUNTRIES FOR WHICH THE IDB BOARD APPROVED FSO FUNDING. LEAVING HUMAN RIGHTS CONSIDERATIONS ASIDE, THE U.S. POSITION ON THE APPROPRIATENESS OF FSO FUNDING WOULD HAVE TO TAKE INTO ACCOUNT PAST IDB PRACTICES IN FINANCING THIS TYPE OF PROJECT AS LIMITED OFFICIAL USE

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WELL AS CURRENT IDB POLICY OF USE OF FSO.

C. UNIVERSITY PROJECT. A LONG-TERM UNIVERSITY DEVELOPMENT STUDY FINANCED BY THE IDB IS CURRENTLY UNDER WAY. ONE OR MORE LOAN PROJECTS CAN BE EXPECTED TO BE GENERATED BY THE STUDY. MONTERO GIVES PERHAPS A 15 PERCENT CHANCE OF SUCH PROJECTS COMING TO THE BOARD THIS YEAR, BUT NOTHING IS CURRENTLY KNOWN OF WHAT THOSE PROJECTS MIGHT BE.

D. TECHNICAL ASSISTANT TO THE BANK OF THE REPUBLIC. THE GOU HAS BEEN NOTIFIED THAT THIS FAO PROJECT WOULD NOT RECEIVE THE REQUIRED AFFIRMATIVE U.S. VOTE IF IT WERE PRESENTED TO THE BOARD. IT REMAINS FORMALLY SUSPENDED PENDING POSSIBLE SUBMISSION TO THE BOARD AT A LATER DATE. WE HAVE NO PROBLEMS WITH THE OBJECTIVES OF THE LOAN AND SUPPORT ITS DEVELOPMENTAL PURPOSE. WE ALSO UNDERSTAND THE IDB HAS APPROVED THE USE OF FSO FUNDS FOR SUCH PURPOSES IN THE PAST. WE WOULD SUPPORT A FAVORABLE U.S. VOTE ON THIS PROJECT IF AND WHEN HUMAN RIGHTS CONDITIONS PERMIT.

E. A STRENGTHENING OF THE GOU PLANNING OFFICE. THIS
PROJECT REMAINS NOTHING MORE THAN A VAGUE IDEA WHICH MAY
AT SOME LATER DATE BE GIVEN FORM BY THE GOU.

2. REF (B) CONTAINS EMBASSY POSITION ON APPLYING HUMAN
RIGHTS CONSIDERATIONS TO LOAN PROJECTS UNDER DEVELOP-
MENT IN THE IDB.

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